



Department of Justice

FOR IMMEDIATE RELEASE
THURSDAY, APRIL 20, 2006
WWW.USDOJ.GOV

AT
(202) 514-2007
TDD (202) 514-1888

HOUSTON COMPANY CHARGED IN SCHEME TO DEFRAUD THE E-RATE PROGRAM IN SOUTH DAKOTA

Company Sentenced to Pay \$4.6 Million Criminal Fine and Restitution

WASHINGTON, D.C. — NextiraOne LLC, a Houston-based networking company, was charged and sentenced today to pay a \$4.6 million criminal fine and restitution for defrauding the Federal Communications Commission's (FCC) E-Rate program and schools on a South Dakota reservation, the Department of Justice announced.

According to the one-count wire fraud charge filed today in U.S. District Court in South Dakota, NextiraOne, a subsidiary of Platinum Equity LLC, defrauded the E-Rate program and the Oglala Nation Educational Coalition (ONEC) member schools — located on the Pine Ridge Reservation in South Dakota — by inflating equipment prices, submitting false and fraudulent invoices for payment, and failing to install and deliver certain equipment and services originally billed to the E-Rate program. The sentencing took place before Judge Lawrence L. Piersol in U.S. District Court in Sioux Falls, S.D.

"These fraudulent schemes rob funds used to assist the neediest schools and libraries across the country," said Thomas O. Barnett, Assistant Attorney General in charge of the Department's Antitrust Division. "The Antitrust Division will aggressively prosecute those who defraud federal programs and harm the economically disadvantaged."

The E-Rate program provides funding for Internet access and other telecommunications services to economically disadvantaged schools and libraries. Under the E-Rate program, which

was created by Congress in the Telecommunications Act of 1996, schools apply for monies for networking infrastructure, communications equipment, and monthly connectivity service fees.

Including today's filing, 11 individuals and 10 companies have been charged as part of the Antitrust Division's ongoing investigation into fraud and anticompetitive conduct in the E-Rate program. Six companies and three individuals have either pleaded guilty or have entered civil settlements. Those defendants have agreed to pay criminal fines and restitution totaling more than \$40 million. Two of the individuals have each been sentenced to serve six years in prison.

"The outcome speaks for itself. We hope that this result gives pause to those who would attempt to defraud the E-Rate program, who are stealing monies from innocent and needy victims, our children. We will continue our efforts in supporting the Antitrust Division of the Department of Justice as we move forward in this and other investigations," said Dr. Kent R. Nilsson, Inspector General of the Federal Communications Commission.

NextiraOne has cooperated in the investigation, and under the plea agreement, has agreed to continue to do so. NextiraOne will pay a \$1.9 million criminal fine. A civil settlement filed today requires NextiraOne to forfeit more than \$2.6 million in reimbursement for uncompensated work previously performed at other school districts.

"This prosecution reflects the dedication and commitment of a number of federal agencies to seek justice for the children victimized by this fraud," said Steven K. Mullins, United States Attorney for the District of South Dakota.

The wire fraud charge, a violation of 18 U.S.C. § 1343, carries a maximum penalty of a \$500,000 fine and restitution to the victims of the crime. The maximum fine may be increased to

twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine.

The investigation is being conducted by the Antitrust Division's Chicago Field Office, along with assistance from the U.S. Attorney's Office for the District of South Dakota and the Rapid City, S.D. office of the Federal Bureau of Investigation. The Justice Department's Civil Division is handling the civil action. The FCC's Office of Inspector General also assisted throughout the course of this investigation.

Anyone with information concerning fraud or anticompetitive conduct in the E-Rate program should contact the Chicago Field Office of the Antitrust Division at (312) 353-7530.

###

06-237